

VZCZCXRO8304
RR RUEHPT
DE RUEHBN #0135/01 3502245
ZNR UUUUU ZZH
R 162245Z DEC 09
FM AMCONSUL MELBOURNE
TO RUEHC/SECSTATE WASHDC 5038
INFO RUEHBJ/AMEMBASSY BEIJING 0084
RUEHBY/AMEMBASSY CANBERRA 3677
RUEHLO/AMEMBASSY LONDON 0035
RUEHGP/AMEMBASSY SINGAPORE 0238
RUEHKO/AMEMBASSY TOKYO 0075
RUEHWL/AMEMBASSY WELLINGTON 0020
RUEHPT/AMCONSUL PERTH 1638
RUEHDN/AMCONSUL SYDNEY 2156
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHAAA/WHITE HOUSE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MELBOURNE 000135

SENSITIVE
SIPDIS

STATE FOR EEB AND EAP/ANZ
WHITE HOUSE FOR NSC AND NEC

E.O. 12958: N/A
TAGS: [EIND](#) [ECON](#) [ETRD](#) [AS](#)
SUBJECT: RECOVERY BEGINS FOR AUSTRALIAN AUTOMOTIVE INDUSTRY

REF: A. MELBOURNE 71
[1](#)B. CANBERRA 624
[1](#)C. 08 MELBOURNE 150
[1](#)D. 08 MELBOURNE 137
[1](#)E. 08 CANBERRA 1134

Summary

[1](#)1. (SBU) General Motors (GM), Ford and Toyota, Australia's three remaining automobile manufacturers, have survived one of the toughest years in recent memory. Despite abysmal sales volumes, sagging consumer confidence and the specter of auto import tariffs dropping from 10 to 5 percent in early 2010 (reftels), the Australian automotive market appears to have weathered the worst of the storm. There are still tensions, however, as GM and Ford weigh their future in Australia. End Summary.

Green shoots?

[1](#)2. (SBU) The Australian automotive industry is showing early signs of recovery. Car sales in October increased for the first time in 16 months, suggesting that the industry is entering a recovery phase. GM Holden's Managing Director Alan Batey told Consul General on December 14 that his company turned a profit in the third quarter and expects a profitable 2010. Holden reintroduced a second production shift to its V6 engine facility in Melbourne in November following a pickup in export orders; the company had removed the shift in June. Ford Australia President Marin Burela is also optimistic about Ford's prospects in 2010, though he expects total car sales in Australia to remain close to 2009's 930,000 level. Toyota's sales are growing and the firm expects a stronger performance in 2010.

[1](#)3. (SBU) Senator Kim Carr, Australia's Minister for Innovation, Industry, Science and Research echoed these sentiments in a December 4 meeting. Referring to Australia's New Car Plan for a Greener Future, Carr said "the plan saved GM from going to the scrap yard here." (Note: The Plan provides US\$3.1 billion to spur green innovation in automobiles and to help rationalize the supply chain. For more details on the New Car Plan, see: <http://www.innovation.gov.au/Industry/Automotive> (LINE BREAK INSERTED) /Pages/ANEWCARPLANFORAGREENERFUTURE.aspx End Note.)

Executives from both Holden and Ford agree that GOA assistance has been critical in sustaining the automotive industry in 2009.

Long Term Future Still Uncertain

¶4. (SBU) Carr is very worried about Ford's future in Australia. He told CG Melbourne he fears Ford will not succeed in attracting the necessary investment to update its aging product lines. In addition, he said Ford has made a mistake by deciding not to export cars from Australia unlike the other two Australian manufacturers. He had offered Ford's leadership co-investment opportunities to create left-hand drive cars for export, which Ford declined. (Comment: In separate meetings with Ford's management, the company has provided us a different perspective of its future - it sees itself very much as part of Ford's global business and would be willing to make sacrifices for the good of the greater company. By contrast, Holden views its Australian operation more as a standalone subsidiary. End Comment.)

¶5. (SBU) Although Senator Carr would clearly like to see the three automotive manufacturers increase their export volumes, Holden plans to focus increasingly on the Australian market. Holden's key export markets in the Middle East and the United States plummeted dramatically in late 2008/early 2009 and the company plans to move from a 50/50 export/domestic market split to a ratio closer to 20/80. Alan Batey acknowledged a tension between Senator Carr's desire for greater exports and Holden's plans to focus more on the Australian domestic

MELBOURNE 00000135 002 OF 002

market. Batey believes, however, that Holden can best play to its strengths by focusing on niche exports such as providing police vehicles and high end muscle cars to the U.S. market.

Comment

¶6. (SBU) Despite optimism from Australia's three automotive producers and a commitment by the Rudd government to support the industry until at least 2021, Australia's automotive manufacturing sector will likely continue to slim down in coming years. Nissan, Mitsubishi and Chrysler all produced cars in Australia and subsequently exited. There is a growing debate in Australia about what constitutes manufacturing versus assembling as discussions with Carr, Batey and Burela have shown. Ford and Holden are moving toward increasingly assembling vehicles in Australia rather than manufacturing them in the traditional sense. While none of the three remaining manufacturers are looking to exit Australia now, all three envision slimmer operations, fewer employees and a focus on niche markets. These changes will affect labor markets, union membership and the government's economic credibility.

THURSTON